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ASIA COMMERCIAL HOLDINGS LIMITED

冠亞商業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 104)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2018

	Six months ended 30th September		
	2018	2017	Change
	HK\$'000	HK\$'000	%
	(unaudited)	(unaudited)	
Operations			
Revenue	411,410	490,775	(16)
Profit attributable to the owners of the Company	27,100	3,689	635
Earnings per share – Basic and diluted	3.46 HK cents	0.47 HK cents	636
	As at 30th September 2018	As at 31st March 2018	Change
	HK\$'000	HK\$'000	%
	(unaudited)	(audited)	
Financial position			
Total assets	678,000	657,000	3
Equity attributable to the owners of the Company	488,000	503,000	(3)

The Board of Directors (the “Board”) of Asia Commercial Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2018 together with the comparative figures of the last corresponding period. The interim financial results have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th September 2018

		Six months ended 30th September	
	<i>Note</i>	2018	2017
		HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Revenue	3	411,410	490,775
Cost of sales		<u>(284,693)</u>	<u>(398,191)</u>
Gross profit		126,717	92,584
Other revenue		14,105	10,445
Distribution costs		(89,176)	(81,393)
Administrative expenses		(19,451)	(14,061)
Other income /(loss), net		63	(2,347)
Finance costs	4(a)	<u>(236)</u>	<u>(1,539)</u>
Profit before taxation	4	32,022	3,689
Income tax	5	<u>(4,922)</u>	<u>—</u>
Profit for the period attributable to the owners of the Company		<u>27,100</u>	<u>3,689</u>
Earnings per share	6		
Basic and diluted (HK cents)		<u>3.46</u>	<u>0.47</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th September 2018

	Six months ended 30th September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	27,100	3,689
Other comprehensive income for the period		
<i>Items that will not be reclassified to profit or loss:</i>		
Change in fair value of financial assets at fair value through other comprehensive income	684	—
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	(9,694)	6,300
Total other comprehensive (loss)/income for the period (net of nil tax)	(9,010)	6,300
Total comprehensive income for the period attributable to the owners of the Company	18,090	9,989

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September 2018

		As at 30th September 2018 HK\$'000 (unaudited)	As at 31st March 2018 HK\$'000 (audited)
	Note		
Non-current assets			
Property, plant and equipment		20,900	19,997
Prepaid lease payments		15,563	17,272
Investment properties		321,034	290,224
Available-for-sale investments		–	8,657
Rental deposits and prepayments		20,374	20,981
Financial assets at fair value through other comprehensive income		9,063	–
Financial assets at fair value through profit or loss		7,707	–
Deferred tax assets		12,266	17,188
		406,907	374,319
Current assets			
Inventories		127,359	153,433
Prepaid lease payments		455	498
Trade and other receivables	8	39,039	35,653
Trading securities		539	715
Structured deposits		39,881	12,462
Bank deposit with maturity over 3 months		–	12,462
Cash and cash equivalents		64,022	67,163
		271,295	282,386
Current liabilities			
Trade and other payables	9	102,510	100,943
Contract liabilities		2,506	–
Bank loans		26,974	14,352
Dividend payable		20,056	–
Current tax payable		4,764	5,074
		156,810	120,369
Net current assets		114,485	162,017
Total assets less current liabilities		521,392	536,336

		As at 30th September 2018 <i>HK\$'000</i> (unaudited)	As at 31st March 2018 <i>HK\$'000</i> (audited)
	<i>Note</i>		
Non-current liabilities			
Rental received in advance		3,101	3,355
Deferred tax liabilities		19,109	19,109
Other liabilities		11,002	11,099
		33,212	33,563
Net assets		488,180	502,773
Capital and reserves			
Share capital	10	156,687	313,373
Reserves		331,493	189,400
Equity attributable to the owners of the Company		488,180	502,773

Notes:

1. GENERAL

The Group is principally engaged in trading of watches (retail and wholesale) and property leasing.

The Company is a limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office and principal place of business of the Company are situated at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda and 19th Floor, 9 Des Voeux Road West, Hong Kong, respectively.

The unaudited condensed interim financial statements are presented in thousand of units of Hong Kong dollars (HK\$’000), unless otherwise stated, and have been approved for issue by the Board of Directors on 23rd November 2018.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed interim financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and HKAS 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The preparation of the unaudited condensed interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may be different from these estimates.

The accounting policies adopted in the preparation of the unaudited condensed interim financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31st March 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) as noted below:

- HKFRS 9, *Financial Instruments*
- HKFRS 15, *Revenue from Contracts with Customers and Related Amendments*
- HK(IFRIC) – Int 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to HKFRS 2, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to HKFRS 4, *Applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts”*
- Amendments to HKAS 28, *As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle*
- Amendments to HKAS 40, *Transfers of Investment Property*

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed as below.

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1st April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. With the exception of hedge accounting, the Group has applied HKFRS 9 prospectively to items that existed at 1st April 2018, in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1st April 2018. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(i) *Classification and measurement*

Club memberships of HK\$7,707,000 as at 31st March 2018 and unlisted equity securities of HK\$950,000 as at 31st March 2018 were classified as available-for-sale financial assets and were measured at fair value through other comprehensive income and at cost, respectively, under HKAS 39. Under HKFRS 9, the club memberships have been classified and measured as financial assets at fair value through profit or loss (“FVPL”) and the accumulated fair value gain of HK\$3,515,000 was reclassified from the fair value reserve to the accumulated losses on 1st April 2018. The unlisted equity securities have been classified and measured at fair value through other comprehensive income (“FVOCI”).

	Available- for-sale investments HK\$'000	Financial assets at FVPL HK\$'000	Financial assets at FVOCI HK\$'000
At 1st April 2018 under HKAS 39	8,657	–	–
Reclassify from available-for-sale investment to financial assets at FVPL	(7,707)	7,707	–
Reclassify from available-for-sale investment to financial assets at FVOCI	(950)	–	950
Remeasurement of unlisted equity securities at fair value	–	–	7,429
	<u>–</u>	<u>–</u>	<u>7,429</u>
Balance at 1st April 2018 under HKFRS 9	<u>–</u>	<u>7,707</u>	<u>8,379</u>
		Fair value reserve HK\$'000	Accumulated losses HK\$'000
At 1st April 2018 under HKAS 39		3,515	(345,289)
Reclassify accumulated fair value gain from fair value reserve to accumulated losses		(3,515)	3,515
Remeasurement of unlisted equity securities at fair value		7,429	–
		<u>7,429</u>	<u>–</u>
Balance at 1st April 2018 under HKFRS 9		<u>7,429</u>	<u>(341,774)</u>

(ii) *Impairment of financial assets*

HKFRS 9 requires an impairment on trades receivables, and deposits and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses that were estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables, and deposits and other receivables. The Group performed a detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade receivables and deposits and other receivables. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1st April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31st March 2018 HK\$'000	Impacts of adopting HKFRS 15 HK\$'000	Carrying amounts under HKFRS 15 at 1st April 2018 HK\$'000
Current liabilities			
Trade and other payables	100,943	(1,740)	99,203
Contract liabilities	–	1,740	1,740

As at 1st April 2018, deposits from customers of HK\$1,740,000 in respect of sales contracts with customers previously included in trade and other payables were reclassified to contract liabilities.

The application of HKFRS 15 has had no material impact on the Group's accumulated losses as at 1st April 2018.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

	Effective for annual periods beginning on or after
HKFRS 16, Leases	1st January 2019
HKFRS 17, Insurance contracts	1st January 2021
HK (IFRIC) – Int 23, Uncertainty over income tax treatments	1st January 2019
Amendments to HKFRS 10 and HKAS 28, Consolidated financial statements and investments in associates	To be determined
Amendments to HKAS 19, Employee benefits	1st January 2019
Amendments to HKAS 28, Investments in associates and joint ventures	1st January 2019

3. REVENUE AND SEGMENT INFORMATION

The Group manages its business by divisions. In a manner consistent with the way in which information is reported internally to the board of directors of the Company, being the chief operating decision makers ("CODM") for the purposes of resource allocations and performance assessments. The Group has presented two reportable segments: (i) sale of watches (retail and wholesale) and (ii) properties leasing. No operating segments have been aggregated to form these two reportable segments.

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the annual financial statements for the year ended 31st March 2018. Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs and corporate costs which cannot be meaningfully allocated to individual segment. This is the measure reported to the CODM for purposes of resource allocation and performance assessment.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of profit or loss.

All assets are allocated to reportable segments other than deferred tax assets and other corporate assets.

All liabilities are allocated to reportable segments other than current income tax payables, deferred tax liabilities and borrowings not attributable to individual segments and other corporate liabilities.

The following is an analysis of the Group's revenue, results, assets and liabilities by operating segment for the periods:

For the six months ended 30th September 2018 (unaudited)					
	Sale of watches HK\$'000	Properties leasing HK\$'000	Segmental total HK\$'000	Unallocated HK\$'000	Total HK\$'000
External revenue (<i>Note</i>)	406,985	4,425	411,410	–	411,410
Operating profit/(loss)	34,680	630	35,310	(3,656)	31,654
Interest income	541	–	541	–	541
Other income/(loss), net	236	–	236	(173)	63
Finance costs	(236)	–	(236)	–	(236)
Segment results	35,221	630	35,851	(3,829)	32,022
Income tax					(4,922)
Profit for the period					27,100
Depreciation and amortisation	1,263	128	1,391	253	1,644

Note:

There were no inter-segment sales during the six months ended 30th September 2018.

As at 30th September 2018 (unaudited)					
	Sale of watches HK\$'000	Properties leasing HK\$'000	Segmental total HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment assets	317,124	329,523	646,647	2,519	649,166
Financial assets at fair value through other comprehensive income					9,063
Financial assets at fair value through profit or loss					7,707
Deferred tax assets					12,266
Total assets					678,202
Additions to non-current segment assets during the reporting period	1,642	35,461	37,103	–	37,103
Segment liabilities	134,003	8,950	142,953	23,196	166,149
Current tax payable					4,764
Deferred tax liabilities					19,109
Total liabilities					190,022

For the six months ended 30th September 2017 (unaudited)

	Sale of watches <i>HK\$'000</i>	Properties leasing <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
External revenue (<i>Note</i>)	486,446	4,329	490,775	–	490,775
Operating profit/(loss)	6,095	4,037	10,132	(2,654)	7,478
Interest income	97	–	97	–	97
Other (loss)/income, net	(2,407)	–	(2,407)	60	(2,347)
Finance costs	(1,539)	–	(1,539)	–	(1,539)
Segment results	2,246	4,037	6,283	(2,594)	3,689
Income tax					–
Profit for the period					3,689
Depreciation and amortisation	1,936	292	2,228	–	2,228

Note:

There were no inter-segment sales during the six months ended 30th September 2017.

As at 31st March 2018 (audited)

	Sale of watches <i>HK\$'000</i>	Properties leasing <i>HK\$'000</i>	Segmental total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	303,921	294,689	598,610	32,250	630,860
Available-for-sale investments					8,657
Deferred tax assets					17,188
Total assets					656,705
Additions to non-current segment assets during the reporting period	3,970	71	4,041	–	4,041
Segment liabilities	116,782	9,274	126,056	3,693	129,749
Current tax payable					5,074
Deferred tax liabilities					19,109
Total liabilities					153,932

Geographic Information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets as specified below. The geographical location of customers is referred to the location at which the services were provided or the goods delivered. The Group's non-current assets include property, plant and equipment, prepaid lease payments, investment properties and rental deposits and prepayments. The geographical locations of non-current assets are based on the physical location of the assets.

	Revenues from external customers		Non-current assets	
	Six months ended 30th September		30th September	31st March
	2018	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
The People's Republic of China, excluding Hong Kong	139,506	187,923	62,552	66,803
Hong Kong (place of domicile)	271,427	302,359	265,727	266,180
United Kingdom	–	–	34,646	–
Switzerland	477	493	14,946	15,491
	<u>411,410</u>	<u>490,775</u>	<u>377,871</u>	<u>348,474</u>

Information about major customers

For the six months ended 30th September 2018, there was no single external customer who contributed more than 10% of total revenue of the Group.

For the six months ended 30th September 2017, revenue of HK\$94,533,000 was derived from a single external customer who contributed more than 10% of total revenue of the Group. This revenue was attributable to the sale of watches segment.

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30th September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings wholly repayable within five years	236	1,378
Interest on loans from a director	—	161
Total interest expenses on financial liabilities not at fair value through profit or loss	236	1,539

(b) Other items

	Six months ended 30th September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net exchange loss	2,165	662
Amortisation of prepaid lease payments	239	233
Depreciation for property, plant and equipment	1,405	1,995
(Reversal of write-down)/ write down of inventories, net	(9,057)	36,129
Staff costs including directors' fees and emoluments	30,275	27,404
Cost of inventories recognised as expenses	284,693	398,191

5. INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Six months ended	
	30th September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
PRC Corporate Income Tax		
– Charge for the period	–	–
Deferred tax		
Origination and reversal of temporary differences	4,922	–
	<u>4,922</u>	<u>–</u>

The subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at the rate of 16.5% (2017: 16.5%). No Hong Kong Profits Tax has been provided for in the financial statements for the period ended 30th September 2018 and 2017 either because the Hong Kong subsidiaries have accumulated tax losses brought forward which exceeded the estimated assessable profits or the Hong Kong subsidiaries sustained losses for taxation purpose.

The subsidiaries in PRC are subject to PRC Enterprise Income Tax at the rate of 25% for the period ended 30th September 2018 (2017: 25%). No PRC income tax has been provided for in the financial statements for the period ended 30th September 2018 and 2017 either because the PRC subsidiaries have accumulated tax losses brought forward which exceeded the estimated assessable profits or the PRC subsidiaries sustained losses for taxation purpose.

The subsidiaries in Switzerland are subject to Switzerland Profits Tax at the rate of 16% (2017: 16%). No Switzerland Profits Tax has been provided for the period ended 30th September 2018 and 2017 as the Group has no estimated assessable profits in Switzerland.

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in these jurisdictions.

6. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK\$27,100,000 (2017: HK\$3,689,000) and the weighted average number of 783,433,000 ordinary shares (2017 (restated): 783,433,000 ordinary shares) in issue during the period ended 30th September 2018.

(b) Diluted earnings per share

Diluted earnings per share is equal to the basic earnings per share for the six months ended 30th September 2018 and 2017.

The share options had no dilutive effect because the average market price of ordinary shares did not exceed the exercise price of the share options for the six months ended 30th September 2018 and 2017.

The weighted average number of shares for the purpose of calculation of basic and diluted earnings per share for the period ended 30th September 2017 has been restated to reflect a consolidation of shares in July 2018 on the basis of two shares being consolidated into one share.

7. DIVIDENDS

	Six months ended	
	30th September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend in respect of the previous financial year, approved but not paid during the reporting period of HK\$0.0256 (2017: HK\$Nil) per share	20,056	—
Special dividend approved and paid during the reporting period of HK\$0.0256 (2017: HK\$Nil) per share	20,056	—
	40,112	—

The final dividend and special dividend were the cash distributions out of contributed surplus after the capital reorganisation as disclosed in note 10.

The directors do not propose any payment of interim dividend for the period ended 30th September 2018. (2017: HK\$ Nil)

8. TRADE AND OTHER RECEIVABLES

	As at 30th September 2018 HK\$'000 (unaudited)	As at 31st March 2018 HK\$'000 (audited)
Trade receivables		
– Third parties	19,927	20,487
– Related parties	2,285	2,366
	<u>22,212</u>	<u>22,853</u>
Allowance for doubtful debts	(1,259)	(1,230)
	<u>20,953</u>	<u>21,623</u>
Other receivables		
– Third parties	3,492	2,836
– Related parties	4,534	4,832
	<u>8,026</u>	<u>7,668</u>
Loans and receivables	28,979	29,291
Deposits and prepayments	10,060	6,362
	<u>39,039</u>	<u>35,653</u>

(a) Aging Analysis

The Group allows credit period of up to 180 days to its customers. The aging analysis of trade receivables of HK\$20,953,000 (31st March 2018: HK\$21,623,000) at the end of the reporting period based on invoice date and net of allowance of doubtful debts is as follows:

	As at 30th September 2018 HK\$'000 (unaudited)	As at 31st March 2018 HK\$'000 (audited)
Up to 90 days	17,947	18,996
91 to 180 days	343	676
181 to 365 days	1,050	1,010
Over 365 days	1,613	941
	<u>20,953</u>	<u>21,623</u>

9. TRADE AND OTHER PAYABLES

	As at 30th September 2018 <i>HK\$'000</i> (unaudited)	As at 31st March 2018 <i>HK\$'000</i> (audited)
Trade payables		
– Third parties	15,340	5,656
– Related parties	–	8
	<u>15,340</u>	<u>5,664</u>
Other payables and accrued charges	31,866	35,016
Accrued interest payable to a director	160	160
	<u>31,866</u>	<u>35,016</u>
Financial liabilities measured at amortised cost	47,366	40,840
Rental received in advance	94	94
Deposits received	2,186	3,913
Other tax payable	52,864	56,096
	<u>52,864</u>	<u>56,096</u>
	<u>102,510</u>	<u>100,943</u>

(a) Aging Analysis

The aging analysis of trade payables based on date of receipt of goods as at the end of the reporting period is as follows:

	As at 30th September 2018 <i>HK\$'000</i> (unaudited)	As at 31st March 2018 <i>HK\$'000</i> (audited)
Up to 90 days	12,035	2,030
91 to 180 days	–	13
181 to 365 days	–	119
Over 365 days	3,305	3,502
	<u>15,340</u>	<u>5,664</u>

10. SHARE CAPITAL

	Nominal value per share HK\$	Number of shares '000 (unaudited)	Amount HK\$'000 (unaudited)
Authorised:			
At 31st March 2018 and 1st April 2018	0.2	2,500,000	500,000
Consolidation of shares		(1,250,000)	—
	0.4	1,250,000	500,000
Reduction of share capital		—	(250,000)
	0.2	1,250,000	250,000
Capital increase		1,250,000	250,000
At 30th September 2018	0.2	2,500,000	500,000
Issued and fully paid:			
At 31st March 2018 and 1st April 2018	0.2	1,566,866	313,373
Consolidation of shares		(783,433)	—
	0.4	783,433	313,373
Reduction of share capital		—	(156,686)
At 30th September 2018	0.2	783,433	156,687

Pursuant to the resolutions passed on a special general meeting held on 3rd July 2018, the Company carried out a capital reorganisation (the “Capital Reorganisation”) which was completed in July 2018 and the details are as follows:

(a) Share Consolidation

Every two issued and unissued shares of par value HK\$0.20 each in the share capital of the Company were consolidated into one share of par value HK\$0.40 (each a “Consolidated Share”) (the “Share Consolidation”).

(b) Capital Reduction

Immediately upon the Share Consolidation becoming effective, (i) the issued share capital of the Company was reduced by cancelling the paid up capital of the Company to the extent of HK\$0.20 on each of the issued Consolidated Share such that the par value of each issued Consolidated Share was reduced from HK\$0.40 to HK\$0.20; and (ii) the authorised share capital of the Company was reduced by reducing the par value of all Consolidated Shares from HK\$0.40 each to HK\$0.20 each resulting in the reduction of the authorised share capital of the Company from HK\$500,000,000 divided into 1,250,000,000 Consolidated Shares to HK\$250,000,000 divided into 1,250,000,000 shares of par value of HK\$0.20 each (collectively, the “Capital Reduction”).

(c) Capital Increase

Immediately upon the Capital Reduction becoming effective, the authorised share capital of the Company was increased from HK\$250,000,000 divided into 1,250,000,000 shares of par value HK\$0.20 each to HK\$500,000,000 divided into 2,500,000,000 new shares of par value HK\$0.20 each.

(d) Share Premium Account Reduction

The amount standing in the share premium account of the Company of HK\$143,310,000 was reduced to nil.

(e) Transfer of Credit to the Contributed Surplus

The entire amount arising from the Capital Reduction of HK\$156,686,000 and the Share Premium Account Reduction of HK\$143,310,000 was transferred to the Contributed Surplus to enable the application of the necessary amount in the Contributed Surplus to set off against the accumulated losses of the Company and to make a distribution.

11. PLEDGE OF ASSETS

The assets pledged for certain banking facilities of the Group were as follows:

	As at 30th September 2018 HK\$'000 (unaudited)	As at 31st March 2018 HK\$'000 (audited)
Land and buildings	11,795	11,901
Investment properties	227,180	227,180
Inventories	28,838	43,322
	<u>267,813</u>	<u>282,403</u>

12. COMMITMENTS

At the reporting date, the Group had the following outstanding commitments.

Operating lease commitments – as lessor

The Group had total future minimum lease receivables under the non-cancellable operating leases with the tenants falling due as follows:

	As at 30th September 2018 HK\$'000 (unaudited)	As at 31st March 2018 HK\$'000 (audited)
Not later than one year	7,398	8,328
Later than one year and not later than five years	11,810	15,034
	<u>19,208</u>	<u>23,362</u>

Operating lease commitments – as lessee

The Group had total future minimum lease payment under non-cancellable operating leases falling due as follows:

	As at 30th September 2018 HK\$'000 (unaudited)	As at 31st March 2018 HK\$'000 (audited)
Not later than one year	87,392	84,568
Later than one year and not later than five years	198,945	224,768
	286,337	309,336

13. CONTINGENT LIABILITIES

So far as the Directors are aware, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration or claims which is, in the opinion of the Directors, of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

14. SEASONALITY OF OPERATION

The Group's business in sale of watches is subject to seasonal fluctuations, with higher sales amount in the first and fourth quarters of the calendar year. This is due to holiday periods. The Group's business in investment holding has no specific seasonality factor.

15. EVENTS AFTER THE REPORTING PERIOD

Acquisition of a Property

On 15th October 2018, a subsidiary of the Company (the "Subsidiary") entered into a sale and purchase agreement (the "S&P Agreement") with an independent third party (the "Vendor") pursuant to which the Subsidiary agreed to buy and the Vendor agreed to sell a residential property located in London, the United Kingdom (the "Property") at a cash consideration of £3,600,000 (approximately HK\$36,000,000) for investment purpose. The acquisition was completed on 1st November 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Review

For the six months ended 30th September 2018, the Group's consolidated revenue amounted to HK\$411 million, representing a decrease of 16% (2017: increase of 21%) from HK\$491 million in the same period of last year was mainly due to the decrease in watches sales in China. Average same store sales for the reporting period in Hong Kong and China increased by 31% and decrease by 28% respectively as compared with the corresponding period in last year. Gross profit margin increased by 12% to 31% during this period was due to the provision for obsolete inventories in view of the decision to close a shop in China and terminate the business relationship with retailers of a brand owned by the Group in last year.

Distribution costs increased by 10% to HK\$89 million during this period were mainly attributable to the increase in staff costs and entertainment expenses which was slightly offset by the decrease in rental expenses. Administrative expenses increased by 38% to HK\$19 million during this period were mainly attributable to the increase in exchange loss, legal and professional expenses and bank charges. Finance costs dropped to HK\$0.2 million during this period because of the decrease in borrowings.

Liquidity and financial resources

As at 30th September 2018, the Group's total cash balance (including short-term deposits and structured deposits) amounted to HK\$104 million (31st March 2018: HK\$92 million) which was comparable to that as of the year ended 31st March 2018. Gearing ratio of the Group, expressed as a ratio of total borrowings over total equity, was 6% as at 30th September 2018 (31st March 2018: 3%).

Foreign exchange risks

The Group views its main currencies as Hong Kong dollars, Renminbi and Swiss Francs. The Group monitors its exposure to foreign exchange risks and, when it considers necessary and appropriate, will hedge its foreign exchange risks by using financial instruments.

Prospect

The Group continued to improve its operating results and achieved a net profit of HK\$27 million in this period as compared with a profit of HK\$4 million in the same period of last year.

The Group operates 8 stores in Hong Kong and China. The Group remained focus on its core stores and has streamlined their operating costs during the period and will continue to do so with a view to further enhance the cost efficiency of each store. The overall sentiment in the luxury retail business was strong in Hong Kong but that in China still remained stagnant due to the slowdown of the economic growth in China and the change of spending pattern of the mainland tourists and the continuation of anticorruption drive in China. Looking ahead, the improving sentiment in Hong Kong as a result of the increase in tourist and local spending will be a positive sign for the Group's business in Hong Kong.

Apart from the "Sale of watches" segment which continues to be the core business of the Group, the Group is also developing its business in the "Properties leasing" segment in which the key investment properties are located in Hong Kong. With a view to enhance and diversify the existing portfolio of this segment, the Group has recently acquired two renowned residential properties in London in June and November 2018 respectively.

The Group is determined to rebuild its financial strength and confidence to improve its business and take a cautious approach in its future expansion.

On behalf of the Group, we sincerely thank for the kind and positive support of our shareholders, customers, suppliers and associates.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices by emphasising a quality board of directors, sound internal control, transparency and accountability to all the shareholders of the Company.

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the period ended 30th September 2018 except for the deviation from the code provisions A.4.1 and D.1.4 and those discussed below:

The Company was incorporated in Bermuda and enacted by private act, the Asia Commercial Holdings Limited Company Act, 1989 of Bermuda (the "1989 Act"). Pursuant to section 3(e) of the 1989 Act, director holding office as executive chairman or managing director shall not be subject to retirement by rotation at each annual general meeting as provided in the Bye-Laws.

As the Company is bound by the provision of the 1989 Act, at this time, the Bye-Laws cannot be amended to fully reflect the requirements of the Code. As such, a special resolution was passed at the special general meeting held on 28th March 2007 to amend the Bye-Laws of the Company so that, inter alia, (i) every director (save for a director holding office as Chairman or Managing Director) of the Company shall be subject to retirement by rotation at least once every three years; (ii) a director may be removed by an ordinary resolution in general meeting instead of a special resolution; (iii) any director appointed by the Board to fill a casual vacancy or as an additional director shall hold office until the next following general meeting, instead of the next annual general meeting.

To enhance good corporate governance practices, Mr. Eav Yin, the Chairman of the Board has confirmed to the Board that he will voluntarily retire from his directorship at annual general meeting of the Company at least once every three years in order for the Company to comply with the Code, provided that being eligible for re-election, he may offer himself for re-election at the annual general meeting. The Chairman is Mr. Eav Yin while the function of the chief executive officer is divided between the remaining executive directors.

Code provision A.4.1 of the Code provides that non-executive director should be appointed for a specific term, subject to re-election.

During the period, the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation at least once every three years and re-election at the annual general meeting in accordance with the Company's Bye-Laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are not less exacting than those in the Code.

Code provision D.1.4 stipulates that directors should clearly understand delegation arrangements in place. The Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointments.

The Company has not entered into any written letters of appointment with its Directors. However, the Board recognises that (i) the Directors have already been subject to the laws and regulations applicable to directors of a company listed on The Stock Exchange of Hong Kong Limited, including the Listing Rules as well as the fiduciary duties to act in the best interests of the Company and its shareholders; (ii) all of them are well established in their professions and (iii) the current arrangement has been adopted by the Company for several years and has proven to be effective. Therefore, the Board considers that the Directors are able to carry out their duties in a responsible and effective manner under the current arrangement.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

Compliance of the Model Code for Securities Transaction by Directors of Listed Issuers

The Company has adopted a code for securities transactions by Directors of the Company (the “Code of Conduct”) on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules.

All Directors have confirmed that they complied with the required standards set out in the Code of Conduct throughout the period under review.

Interim Dividend

The directors resolved not to declare an interim dividend in respect of the six months ended 30th September 2018 (2017: Nil).

Purchase, Sale or Redemption of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of Company’s listed securities during the six months ended 30th September 2018.

Employees and Remuneration Policy

There were 149 employees in the Group as at 30th September 2018. The Group offers competitive remuneration packages to employees in line with market trends. Incentives such as discretionary bonuses and share awards are offered to motivate employees.

By order of the Board
Asia Commercial Holdings Limited
Cheng Ka Chung
Company Secretary

Hong Kong, 23rd November 2018

As at the date of this announcement, the Board comprises Mr. Eav Yin (Chairman), Ms. Eav Guech Rosanna, Mr. Duong Ming Chi, Henry and Mr. Eav Feng Ming, Jonathan as executive directors, Mr. Lai Si Ming, Ms. Wong Wing Yue, Rosaline and Mr. Lee Tat Cheung, Vincent as independent non-executive directors.

* For identification purpose only